

**STAFF MEETING MINUTES  
LANCASTER COUNTY BOARD OF COMMISSIONERS  
COUNTY-CITY BUILDING  
ROOM 113  
THURSDAY, APRIL 3, 2003  
8:15 A.M.**

Commissioners Present: Bernie Heier, Chair  
Ray Stevens, Vice Chair  
Larry Hudkins  
Bob Workman  
Deb Schorr

Others Present: Kerry Eagan, Chief Administrative Officer  
Gwen Thorpe, Deputy Chief Administrative Officer  
Bruce Medcalf, County Clerk  
Trish Owen, Chief Deputy County Clerk  
Ann Taylor, County Clerk's Office

The Chair opened the meeting at 8:18 a.m.

**AGENDA ITEM**

- 1 APPROVAL OF STAFF MEETING MINUTES OF THURSDAY, MARCH 27, 2003 AND MINUTES OF AGENCY TOURS ON TUESDAY, MARCH 25, 2003; THURSDAY, MARCH 27, 2003 AND TUESDAY, APRIL 1, 2003 (A.M. & P.M.)**

**MOTION:** Workman moved and Hudkins seconded approval of Staff Meeting minutes of March 27, 2003 and minutes of agency tours on March 25, 2003; March 27, 2003 and April 1, 2003. Stevens, Workman, Heier, Hudkins and Schorr voted aye. Motion carried.

- 2 ADDITIONS TO THE AGENDA**

None were stated.

- 3 COMMISSIONERS MEETING REPORTS**

A. Lincoln-Lancaster County Ecological Advisory Committee (EAC) - Heier

Heier said the Comprehensive Plan Schedule and a tentative list of Comprehensive Plan amendments were discussed.

- B. Lincoln Partnership for Economic Development (LPED) Investors - Heier

Heier said Prem Paul, Vice Chancellor for Research at the University of Nebraska, presented information on research grants.

- C. Area 5 Agricultural and Horticultural Land Valuation Board (AHLVB) - Hudkins

Hudkins reported that irrigated land values were lowered as a class by 0.20% to \$1,625 per acre.

**4 LEGISLATIVE UPDATE - Amy Prenda, Director of Legal Research and Analysis for Kissel/E&S Associates**

Amy Prenda, Director of Legal Research and Analysis for Kissel/E&S Associates, gave a legislative update (Exhibit A).

Workman gave an overview of LB 452 (change penalties and provide late fees for failure to register a motor vehicle), noting that the Nebraska Association of County Officials (NACO) opposes the bill.

**MOTION:** Hudkins moved and Workman seconded to direct the County's lobbyist to oppose LB 452. Stevens, Workman, Heier, Hudkins and Schorr voted aye. Motion carried.

**5 PENSION UPDATE - Rod Crane, Segal Advisors (Pension Consultant)**

Rod Crane, Segal Advisors, presented a summary of results from negotiations with Nationwide Retirement Solutions (NRS) regarding changes to the service agreement for the County's Retirement Plan and 457 Deferred Compensation Plan (Exhibit B), noting the following points:

- \* Administration
- \* Administrative Fees

Crane said NRS has "backed off" on its insistence that it change the American Century Ultra Fund from the investor share class to the adviser class (asset-based administration fee is approximately 0.25 basis points higher), eliminating the need for a policy decision.

Crane said NRS has also agreed to provide revenue sharing (administrative credit allowances) to the County in the amount of \$40,000 annually. These funds can be used to offset administration costs or to buy additional services. Options include establishing a trust account for the Retirement Plan and the 457 Deferred Compensation Plan, with each receiving a proportional share based on assets, or having NRS retain and manage the funds for the County.

\* Stable Value Fund

Crane said participant transfers out of the Fixed Account are currently limited to 0.20% of the Fund's assets. He said NRS has proposed two options: Option 1: Change the restriction to net transfers out in excess of 0.20%; or Option 2: Eliminate competing fixed income funds from the investment line-up that have short duration characteristics. Specifically, eliminate the Money Market Fund and any short or ultra short bond fund options. Crane said Option 2 appears to be reasonable.

Crane said NRS has agreed to eliminate the restriction on an employer-level fixed account asset transfer. The current contract limits these transfers to installment payments of 0.20% per year.

\* Fixed Income Funds

Crane said NRS proposes "walling off" the Money Market Fund by freezing it to new contributions and using it for forfeitures only.

\* Balanced/Asset Allocation Funds

Crane said a policy decision is required on whether to add the Investor Destinations series of asset allocation funds to the Plan.

\* Equity Funds

Crane said new funds are proposed to replace most of the current equity funds in the Plan. He noted that the proposal to change the share class for American Century Ultra Fund is no longer an issue. Crane said, overall, NRS has "come to the table" and objectives for the renewal negotiations were met.

Doug Cyr, Pension Review Committee, appeared and stressed a fiduciary responsibility to analyze whether the best funds are being made available.

Crane said the asset allocation funds are not “best in class” in terms of pure performance against established benchmarks. He said they are adequate funds for participants who do not want to go through the time and trouble to choose more specifically amongst the core options. Crane said the Board needs to make an investment policy decision on whether to agree with that philosophy and accept a lower level of investment return expectations, at higher costs, for that class of individuals or to move them towards actively managing and choosing amongst the core options. He said he believes that high quality funds are proposed, in terms of the other options, and said it is important to remember that NRS has to make funds available that are not only good investment options but also generate enough revenue back to support administration of the plan.

Crane also pointed out that the proposal is based on an assumption that NRS would become the exclusive provider for the 457 Deferred Compensation Plan.

**6 PENSION PLAN RENEWAL PROPOSAL FROM NATIONWIDE RETIREMENT SOLUTIONS** - Mike Studebaker, Joyce Hall and Larry Eckel, Nationwide Retirement Solutions; Rod Crane, Segal Advisors (Pension Consultant)

Mike Studebaker, Nationwide Retirement Solutions (NRS), gave an overview of Lancaster County 457 Plan and 401(a) Retirement Plan Proposal Review (Exhibit C), noting the following:

- \* Service Team
- \* Nationwide Overview
- \* Education & Communication

Larry Eckel, NRS, said on-site visits seem to be the most successful and expressed a willingness to meet with employees anywhere, anytime it is convenient.

Rod Crane, Segal Advisors, said it is his understanding that NRS will create a communication campaign proposal, including samples and brochure ideas, for transition on short -term changes and for ongoing communication and educational purposes.

Studebaker said that is correct.

The Board asked that NRS work with the Chief Administrative Officer and Deputy Chief Administrative Officer in this regard.

- \* Proposed Schedule

Eckel reviewed the proposed schedule.

\* Future with Nationwide

Studebaker said NRS plans to combine 457 and 401(a) plans in a single recordkeeping system and provide participant on-line investment guidance and planning through Morningstar.

Information regarding the Morningstar ClearFuture education and guidance program was distributed (Exhibit D). Studebaker explained that Morningstar makes recommendations, on a category basis, based on the funds that are available in the plan. Advice services are also available. He agreed to make an administrative demo available to the Board.

In response to a question from Schorr, Studebaker said Morningstar will allow the employee to input information about other funds the employee has and will evaluate those when addressing strategy within the plan.

\* Proposed Investment Analysis

Studebaker said the Stable Value fixed income investment, which is designed to have liquidity at the end of the five year period without market value adjustments, will require submission to the Nebraska Department of Insurance.

\* Breadth of Choice

Studebaker said Lifecycle Funds (Investor Destination Funds) were included in the style boxes, but said they are not required as part of the offering.

In response to a question from Crane, Studebaker said retention of the Dreyfus Appreciation Fund as a Large Cap Blend Fund will not impact the proposal. He also clarified that American Century Ultra Investor, not American Century Ultra Advisor, will be available as a Large Cap Growth Fund and will not impact the fee proposal.

Crane asked whether the Money Market Fund will still be available under the proposal.

Studebaker said it will be frozen to new monies.

\* Cost Reduction

Studebaker said there will be 0.00% fees on the proposed funds. There will also be a \$40,000 remuneration to the County for administration expenses.

Kerry Eagan, Chief Administrative Officer, asked what role NRS would play in development of an investment policy (on-going analysis and monitoring of the investments).

Studebaker said NRS could provide recommendations on an annual basis and said there could be further negotiation of funds. He noted that there may be a pricing impact, depending on the mix of funds.

Crane said it is his understanding that Fidelity Magellan Fund may be retained as an option, but NRS will add 0.40% basis points for administration fees.

Studebaker said yes, for that fund only.

Crane asked Studebaker to give an example of mapping strategies.

Studebaker said there are a couple of options: 1) Establish the new funds and provide a "window" for employees to move their investments; and 2) Map into a like-kind fund in the same style box. He recommended Option 2.

Crane said Segal Advisors has the same bias.

\*       Implementation Timetable

Studebaker said the timetable is based on an assumption of approval of the proposal by April 15, 2003.

Additional Discussion

Doug Cyr, Pension Review Committee, appeared and noted that some employees have signed up for a 457 Deferred Compensation Plan offered through Hartford that has a back-end penalty. He asked whether NRS would "wall off" those contributions or would seek a transfer of funds.

Studebaker said NRS is willing to "wall off" contributions to that plan.

Cyr asked whether removal of the 0.20% restriction on transfer of funds from the Fixed Account on an annualized basis would adversely impact the return.

Studebaker said there will be a slight impact on the return by having the Fixed Account completely liquid at the end of five years, estimating it at under 0.25 basis points. He said the chance of a rate impact is greater near the end of the contract period and explained that there is a way to manage that.

Cyr said the Pension Review Committee would like additional information regarding standards utilized in the fund selection and whether there are other options available within those particular styles of funds.

Studebaker suggested scheduling a presentation as part of an annual review of the funding options.

Cyr said he believes that this is the prudent time to analyze the funds.

Crane said Segal Advisors did not perform an independent analysis of the funds, but generally believes that this is a solid investment line-up.

In response to a question from Workman, Crane said "best in class" means different things to different people. He said NRS has a wide selection of other funds and said it may be worthwhile to consider two or three other funds that could be inserted into the slots on the initial line-up chart, so that there is a greater comfort level. He added that there may be an impact on the pricing.

Studebaker estimated that it will take NRS two weeks to prepare that information for the Pension Review Committee's review.

Cyr said Morningstar ratings would also be helpful. He also noted a proposal to create a defined benefit plan for Sheriff's deputies and asked how that would impact the Retirement Plan.

Studebaker he does not believe it would change the assumptions and pricing.

The Board indicated an intent to continue to contract with NRS.

Also in attendance were: Dave Kroeker, Bill Thoreson, Tim Genuchi and Trish Owen Pension Review Committee; and Lynn Forsgren, American Federation of State, County & Municipal Employees (AFSCME).

Hudkins exited the meeting at 11:18 a.m.

**7      DEFINED BENEFIT PLAN FOR SHERIFF DEPUTIES; PENSION PLAN  
MINIMUM PARTICIPATION AGE; EARLY RETIREMENT - Georgia  
Glass, Personnel Director**

## **Defined Benefit Plan for Sheriff Deputies**

Georgia Glass, Personnel Director, said the Deputy Sheriffs' Association is interested in pursuing a defined benefit plan for Sheriff's deputies, similar to plans for Lincoln police officers and firefighters. She noted that legislative change would be required, as a defined contribution plan is defined in State Statutes.

Glass said she contacted the actuary for the City's plans and received an estimate of \$7,000 for a study of how the defined benefit plan would work and assessment of the County's liability. She noted that the Deputy Sheriff's Association is also seeking information on "hybrid plans".

Hudkins returned to the meeting at 11:23 a.m.

Stevens asked whether a defined benefit plan could be structured so that more of the risk was with the employee.

Glass explained that early retirement is encouraged for public safety workers and said defined benefit plans are typically structured in that manner.

Terry Wagner, Lancaster County Sheriff, appeared and noted that: 1) The national average age of death for law enforcement officers is 57, so there may not be an opportunity for those employees to invest long-term for retirement; 2) There is an increased risk of injury and workers compensation claims for older public service employees; and 3) Sheriff's deputies are treated differently than other employees in State Statutes.

Board consensus was to not participate in the cost of a study.

## **Pension Plan Minimum Participation Age**

Glass said she has concluded that the savings would not be significant enough to justify changing the mandatory age of participation. She recommended that the Board look instead at changing the start of vesting in the Retirement Plan from the date of hire to the date of participation.

## **Early Retirement**

Glass said the American Federation of State, County & Municipal Employees (AFSCME) has indicated an interest in incentives for early retirement. She said 75 AFSCME employees are eligible to retire in 2003 and 35 were randomly picked for analysis of cost savings if replacements were hired at Step I.

Glass said the County would realize a loss the first year (\$109,418), as sick leave and vacation balances would be paid out to the retiring employees. The County would save \$290,317 the second year and \$897,686 cumulative after six years (assuming a 0.03% cost-of-living increase each year). She said these figures do not take into account any incentives to early retirement.

Glass noted that the City offered an early retirement incentive to National Association of Government Employees (NAGE) last year, \$10,000 deposited in their Post Employment Health Plan (PEHP), and thirteen employees accepted. She suggested that a meeting be held with AFSCME employees that are eligible to retire to gauge their interest, should the County elect to offer a similar incentive.

## **8 ACTION ITEMS**

- A. Letter to State Department of Roads Regarding Closure of Old Cheney Road at Highway 77

The Board viewed two letter drafts (see agenda packet).

**MOTION:** Stevens moved and Workman seconded to authorize the Chair to sign Draft 2. Stevens, Workman, Heier, Hudkins and Schorr voted aye. Motion carried.

Board consensus was to send a copy of the letter to the Lincoln Chamber of Commerce.

- B. Emergency Switches for Crisis Center Staff Area and Hearing Room (\$1,050)

**MOTION:** Workman moved and Hudkins seconded approval of the expense out of the Building Fund. Schorr, Hudkins, Heier, Workman and Stevens voted aye. Motion carried.

- C. Topics for Monthly Meeting with Mayor Wesely

The following topics were suggested:

- \* Jail Contract
- \* Letter to State Department of Roads Regarding Closure of Old Cheney Road at Highway 77
- \* Government Access Information Committee (GAIC) Nomination

## 9 ADMINISTRATIVE OFFICER REPORT

### A. Special Assessments for County Property at 1309 "M" Street

Eagan said the lessee has informed the County that it will no longer pay the special assessments (see agenda packet). He noted that the County intends to sell the property and said it could require the successful bidder to pay the past due and accruing taxes and special assessments.

Dave Johnson, Deputy County Attorney, said the County needs to apprise potential bidders at the public hearing if it intends to include these costs as a condition of sale.

Hudkins suggested that the County pay the taxes and special assessments and raise the minimum bid to recoup these costs.

Johnson explained that the fair market value isn't tied to taxes due and owing.

**MOTION:** Hudkins moved and Workman seconded to: 1) Pay taxes owed up to the date of transfer; and 2) Advise that special assessments have not been paid and will be the responsibility of the successful bidder, as a condition of sale.

**FRIENDLY AMENDMENT:** Schorr offered a friendly amendment to provide notification to the Downtown Lincoln Association (DLA).

The maker of the motion and the seconder agreed to the friendly amendment.

Stevens said he believes the County can adjust the fair market value by the tax amount, based on discounted cash flows.

**ON CALL:** Schorr, Hudkins, Heier, Workman and Stevens voted aye. Motion carried.

### B. Elected Officials Photos

Cori Beattie, County Board Administrative Secretary, appeared and suggested that the Board seek a donation of photography services.

### C. Tour of District Court Clerk's Office

The Board rescheduled a tour of the District Court Clerk's Office to Tuesday, April 8, 2003, to follow the Board of Commissioners Meeting. Agency tours scheduled for Tuesday, April 15, 2003 will begin at 9:30 a.m. instead of 9:00 a.m.

- D. Funding for Community Mental Health Center Evaluations Performed by The Connecting Link

The Board asked that the contract be pulled at the April 8, 2003 Board of Commissioners Meeting and that additional discussion be scheduled with Dean Settle, Community Mental Health Center Director.

- E. Safety Flyer for April 10, 2003 Paychecks

**MOTION:** Hudkins moved and Workman seconded approval. Schorr, Hudkins, Heier, Workman and Stevens voted aye. Motion carried.

- F. Government Access & Information Committee (GAIC) Appointment

Board consensus was to send a letter to Doug Thomas, Information Services Director, requesting a "clean-up" of the interlocal agreement governing the committee.

- G. Letter of Support for Nebraska Schools Activities Association Bids for Wrestling and Basketball Tournaments

Eagan distributed a draft letter of support (Exhibit E).

**MOTION:** Workman moved and Hudkins seconded approval of the letter, with deletion of the word "We" at the beginning of the letter. Schorr, Hudkins, Heier, Workman and Stevens voted aye. Motion carried.

- H. Replacement of Part-Time Security Officer

**MOTION:** Workman moved and Schorr seconded approval. Schorr, Hudkins, Heier, Workman and Stevens voted aye. Motion carried.

## 10 ADJOURNMENT

**MOTION:** Workman moved and Hudkins seconded to adjourn the meeting at 12:20 a.m. Stevens, Workman, Heier, Hudkins and Stevens voted aye. Motion carried.

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Bruce Medcalf  
County Clerk